

MEMORANDUM

To: Interested Persons

From: Board Members Michael H. Dworkin, David C. Coen and John D. Burke

Re: Modifications to C & I Customer Credit Program of the EEU

Date: January 27, 2004

In November, 2003, IBM approached the Vermont Public Service Board ("Board") with a proposal to alter the terms of the C & I Customer Credit Program ("CCP"). Board staff made an initial determination that the changes proposed by IBM were procedural, rather than substantive, in nature.¹ Board staff subsequently met with representatives of IBM, the Vermont Department of Public Service ("Department"), Efficiency Vermont ("EVT"), and the Contract Administrator for the Energy Efficiency Utility ("EEU").

The CCP was first created in Docket No. 5980² through a bilateral agreement between IBM and the Department. Eligible participants receive payments for "market-driven" and "retrofit" cost-effective energy efficiency measures installed at the participant's facilities. Participants may receive payment for such measures at up to 70% of the participant's payment into the EEU.

The most prominent proposed change to the CCP is the addition of a "Net Pay Option." This option would allow for a participant to effectively retain the 70% of its payment into the EEU, although the EEU still must approve the expenditure of funds by the participant. The Net Pay Option would not alter the amount of money that participants may receive under the CCP, but rather would alter the disbursement mechanism.

1. The distinction between procedural and substantive changes is important because procedural changes can be implemented through an administrative process rather than through the formal docket procedures that would be required for substantive changes.

2. Order of 9/30/99.

An additional proposed modification to the existing CCP would explicitly allow participants to receive reimbursement for the development of a comprehensive energy audit and plan prepared by an independent third party. Under the current CCP, reimbursement could be provided for "costs associated with identifying, investigating, analyzing, designing, implementing, and/or installing societally cost effective electricity efficiency projects."³ Reimbursement for a comprehensive audit and resulting plan clearly fall within the scope of reimbursement as initially established in the CCP. We thus conclude that this proposal merely confirms that which is already included in the CCP.

The proposal by IBM and the Department would also change the eligibility criteria for participation in the CCP to eliminate the requirement that participants must be a partner in the Climate Wise Program. This reflects the fact that the Climate Wise Program no longer exists.

We have determined that the changes described above are procedural in nature and do not change the substance of the CCP. Furthermore, these changes have the potential to increase the implementation of energy efficiency measures in Vermont, thus benefitting all Vermont ratepayers. For these reasons we approve the changes in the Customer Credit Program.⁴

Finally, IBM and the Department have asked that we clarify that certain actions are allowed in the revised CCP. These actions are enumerated below:

1. CCP incentives can be used towards qualifying measures installed under a performance contract.
2. Efficiency Vermont can assist participants as part of the administrative portion of the CCP in obtaining financing for efficiency projects upon request.
3. Efficiency Vermont can make partial payments for pre-approved measures based on documentation or inspection of installation progress.

We agree with IBM and the Department that the language of the CCP allows for these actions.

3. C & I Customer Credit Program.

4. We do make two minor change to the language concerning the comprehensive audit and plan. We will require that the participant provide a copy of the resulting plan to the EEU, the Contract Administrator, and the Board. Additionally, the EEU will provide a review of the participant's compliance with the plan to the Contract Administrator and the Board.